



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 4/8/2004

GAIN Report Number: SF4012

South Africa, Republic of

Sugar

Annual

2004

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Report Highlights:

South African sugar production dropped from a record 2.9 million tons in 2002/03 to 2.6 million tons in 2003/04, mainly due to drought. Production in 2004/05 is forecast to drop even further to 2.3 million tons, again mainly due to a dry early summer. Exports are expected to exceed 1.2 million tons in 2004/05 compared to the 1.3 million tons exported in 2002/03.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1]
[SF]

Summary

After record sugar production of 2.93 million tons raw value in 2002/03, production declined to 2.56 million tons in 2003/04 when cane cultivation dropped from 23 million tons to 20.4 million tons. The cutback was mainly due to seasonal drought. The early part of the current, 2004/05, season was also dry but conditions improved in the first quarter of 2004. Cane production is expected to reach about 20.25 million tons this year, producing 2.55 million tons of sugar.

According to the South African revenue Service, (SARS), exports amounted to 1.15 million tons in CY 2002 and 989,000 tons in 2003. South Africa exports raw sugar mainly to China, Japan, the Middle East and South Korea and refined sugar mainly to East Africa. The local industry also enjoy a US sugar quota. Imports mainly originate from South Africa's South African Development Community (SADC) partners.

www.sugar.org.za

www.sacanegrowers.co.za

Sugar cane:

PSD Table

Country South Africa
Commodity Sugar Cane

1000 Hectares	2003	Revised	2004	Estimate	2005	Forecast
1000 Metric tons	USDA I [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	04/2002			04/2003		04/2004
Area Planted	434	430	435	433	0	433
Area Harvested	328	321	330	325	0	325
Production	23013	23013	21270	20419	0	20250
TOTAL SUPPLY	23013	23013	21270	20419	0	20250
Utilization for Sugar	23013	23013	21270	20419	0	20250
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	23013	23013	21270	20419	0	20250

Production

The area under cane in South Africa has remained constant at around 430,000 hectares over the past few years. The area expanded in the mid nineties, primarily as a result of the establishment of the Komati Mill in Mpumalanga and the relocation of the Illovo Mill to its current site in the Natal midlands. The mill was moved as development was constrained by urbanization at its previous coastal location. Since then no further significant expansion has taken place.

Since the general droughts of the early and mid nineties, the industry has continued to experience regional droughts from time to time. In the 2003/04 season, some areas were devastated by drought, while the 2004/05 season had a dry start. Better rainfall in February and March improved crop prospects and cane production for 2004/05 is currently estimated at 20.25 million tons after 20.4 million tons were produced in 2003/04.

Sugar cane Season	Area planted, ha.	Area harvested, ha.	Cane cut 1000 Mt.	Yield, Mt./ha.
2000/2001	428 8922	322 858	23 876 162	73.95
2001/2002	431 771	325 704	21 156 537	64.96
2002/2003	430 106	321 234	23 012 554	71.64
2003/2004 est.	432 986	325 141	20 418 933	62.80
2004/2005 for.	432 500	325 000	20 250 000	62.30

The area under irrigation has increased to 22% of the total area under cane. With the relocation of the Eston mill to the midlands, the geographic spread of the industry has broadened to encompass a favorable balance of coastal, midlands and irrigation areas. This trend has lessened the risk of serious crop failures. As shown in the table cane yields per hectare has remained relatively constant. The adoption of the Recoverable Value pricing system for cane payments, which rewards good agricultural practices, has improved sugar yields per hectare.

Sugar

PSD Table

Country South Africa
Commodity Sugar

1000 Metric ton	2003	Revised	2004	Estimate	2005	Forecast
	USDA I [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	04/2002		04/2003		04/2004	
Beginning Stocks	450	450	490	460	370	345
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2931	2931	2527	2559	0	2546
TOTAL Sugar Production	2931	2931	2527	2559	0	2546
Raw Imports	0	0	0	0	0	0
Refined Imp. (Raw Val)	269	249	253	251	0	254
TOTAL Imports	269	249	253	251	0	254
TOTAL SUPPLY	3650	3630	3270	3270	370	3145
Raw Exports	1215	1215	1000	1000	0	1000
Refined Exp. (Raw Val)	350	350	300	300	0	250
TOTAL EXPORTS	1565	1565	1300	1300	0	1250
Human Dom. Consumption	1590	1600	1595	1620	0	1640
Other Disappearance	5	5	5	5	0	5
Total Disappearance	1595	1605	1600	1625	0	1645
Ending Stocks	490	460	370	345	0	250
TOTAL DISTRIBUTION	3650	3630	3270	3270	0	3145

Production

As a result of an early summer drought, prospects for the new, 2004/05 season, are not very promising. The first Sugar Association estimate will be available in late April, but at this stage indications are that a little more than 20 million tons of cane will be cut producing about 2.4 million tons of sugar.

Season	Cane cut	Tell quell sugar	Tons cane/ton sugar,
April/March	1000 Mt.	Prod. 1000 Mt.	Mt.
2000/01	23 876 162	2 721 562	8.75
2001/02	21 156 537	2 403 243	8.83
2002/03	23 012 554	2 754 619	8.33
2003/04	20 418 933	2 412 031	8.47
2004/05 est.	20 250 000	2 400 000	8.44

Consumption

Sugar supplies into the Southern African Customs Union (SACU) have changed markedly since the early nineties, at which time South Africa was the main supplier with over 95% market share. South Africa has since lost market share to Swaziland (A SACU member with Botswana, Lesotho and Namibia), and to Southern African Development Community (SADC) sugar producers. South Africa's share of the SACU market is currently below 80%. Due to

low world prices, the Swaziland sugar industry increased its sales into the SACU market, particularly South Africa, the biggest market in Southern Africa. Over and above this, as part of the SADC Free Trade Agreement, it was agreed that SADC producers would be allowed to sell sugar free of duty into SACU based on a formula (about 50,000 tons). The number of suppliers into the market has thus increased significantly.

The demand for sugar in the SACU region has continued to grow in the order of 2% per annum, with demand closely related to growth in real disposable income, growth in GDP and in population. The following table shows the latest available data on South African sugar sales in the SACU region:

Season Metric ton	White sugar	Brown sugar	Direct sales	%	Industrial sales	%
1998/99	1072230	148150	808884	66.3	411496	28.1
1999/00	1069494	160551	811591	66.0	418454	34.0
2000/01	1140308	170788	879529	67.1	431567	32.9
2001/02	1066168	161047	819273	66.8	407492	33.2
2002/03	1218766	194029	924416	65.4	488649	34.6

Policy

Due to the international environment in which the industry operates, the industry is regulated to ensure its survival. Industry regulation has undergone regular reviews over the past decade and the Sugar Act is again under review by the Department of Trade and Industry. The sugar industry is the only formally regulated agricultural industry left in South Africa, the industries falling under the Department of Agriculture have all been de-regulated and are operating in a free market system.

Sugar prices in SACU are established in the regulated environment based on a US Dollar based reference price, which determines the import duty. The dollar based reference price system of \$330 per ton was established on the basis of a 10 year average of the No. 5 world or refined sugar price adjusted for certain elements.

The current import duty is 101.8 SA cents per kg. or R1,018 per metric ton. SADC members can supply about 50,000 tons free of duty, while Swaziland, as a SACU member can also deliver a set quantity free of duty.

Producer prices:

Through the Division of Proceeds calculation taking local and export sales as well as molasses sales into account, and the revenue sharing arrangement between millers and growers, growers are paid a share (about 63%) of industry proceeds. Prices in any year are affected by revenues earned in the various markets but are also impacted by the size of the crop whereby larger crops depress prices due to the larger portion of export sugar in the pool and smaller crops increase prices due to the smaller proportion of export sugar.

In 2000/2001 the recoverable value (RV) payment system replaced the sucrose payment system. The RV system recognizes the effect of Sucrose % cane, Non-sucrose % cane and Fiber % cane on sugar production. It, in effect, the RV system rewards quality cane production.

The following table contains recent recoverable value (RV) prices paid by millers to growers and the cane price at average recoverable values for the industry.

Season	RV price: SA Rand	Cane price
1999/2000	971.09	121.36
2000/2001	1105.00	130.50
2001/2002	1352.14	160.23
2002/2003	1368.79	171.78
2003/2004	1357.01	165.25 est.

For more details on the payment system see: www.sacanegrowers.co.za

Trade

As the industry expanded, and as growth in the SACU market has been taken up by non South African production, the industry is exporting an increasing share of production to overseas markets at world market prices. These are often well below the cost of production of even the most cost effective producers. South Africa exports raw sugar mainly to China, Japan, Korea, the Middle East, the Black Sea area and the US and exports refined sugar mainly to East Africa.

Exports

Country

South Africa

Commodity

Centrifugal Sugar

Time Period

Jan -Dec

Units:

Metric tons

Exports for:

2002

2003

2003

U.S.

58 678

U.S.

23 656

Others

Others

Mozambique	196 469	Mozambique	177 792
Japan	161 015	Japan	145 040
South Korea	230 000	South Korea	140 000
Malaysia	43 053	Malaysia	80 000
Russia		Russia	59 000
Madagascar	27 941	Madagascar	56 208
Syria	13 250	Syria	53 850
Kenya	50 851	Kenya	46 050
Egypt		Egypt	33 250
Mauritius	48 102	Mauritius	32 387

Total for Others

770 681

823 587

Others not Listed

321 556

141 403

Grand Total

1 150 915

988 916

The high figure for Mozambique is misleading. The Komati and Lomati mills in Mpumalanga use Maputo in Mozambique as an export port and sugar shipped through the port are shown as exports to Mozambique. The sales to Mozambique itself are small.

Country Imports**South Africa
Centrifugal Sugar**

Time Period	Jan-Dec	Units:	Metric tons
Imports for:	2002		2003
U.S.	3	U.S.	49
Others		Others	
Malawi	3929	Malawi	14619
Zimbabwe	12780	Zimbabwe	12607
Zambia	5510	Zambia	10492
Total for Others	22219		37718
Others not Listed	140		800
Grand Total	22362		38518

Malawi, Zambia and Zimbabwe are SADC members and the imports shown are thus duty free. The high import duty basically prohibits imports from outside the SADC. Imports from Swaziland are not shown, as it is a member of the SACU customs union.